

DEPOSITION TESTIMONY: BRINKER

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1 from the company, I had no reason to keep them.
2 I've read the suit and such and had that paper,
3 but when it finally started coming to Court, I
4 just destroyed everything.

5 Q. When it finally started coming to
6 Court, you just destroyed everything --

7 A. Well, after.

8 Q. -- is that your testimony?

9 A. That would have been after
10 December the 3rd.

11 Q. So if I understand this correctly,
12 you destroyed all of the documents in your
13 possession related to Oak Hills after December
14 3rd, 1999, correct?

15 MR. BURKE: Objection. Calls for
16 speculation. You may answer.

17 A. Actually some before and some
18 after, yes.

19 Q. Okay.

20 A. All of them.

21 Q. Why did you do this?

22 A. Because there was too much -- I
23 mean, you know, in a home you don't keep piling
24 papers up and I didn't care to have all that
25 stuff sitting around.

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1 Q. Okay.

2 A. Since we were not a company
3 anymore and I was not in there, I didn't think
4 it bothered me at all.

5 Q. How did you destroy these
6 documents?

7 A. Through the shredder.

8 Q. Did that take a long time?

9 A. Well, certainly, but I was doing
10 some from the company before that time, so --

11 Q. Okay. Let me direct your
12 attention to 1999. When did you first start
13 destroying documents related to Oak Hills?

14 MR. BURKE: And let me mention or
15 caution you, Norb, make sure you're testifying
16 from actual recollection as opposed to
17 assumptions. He's asking you as to what
18 occurred in December 1999.

19 MR. BRAUTIGAM: Actually I'm not,
20 Jim. We don't need your speaking objections.
21 We don't need your instructions. We don't need
22 your misstating my questions. Have it read
23 back, please.

24 MR. BURKE: Mr. Brautigam, please
25 control yourself. Please control yourself and

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1 act like a professional.

2 (Record read by Reporter.)

3 A. Well, it would have been in
4 December of '99, I guess after the closing.

5 Q. Well, a moment ago you said some
6 before and some after.

7 A. Well, I was talking about papers
8 of the Oak Hills Savings and Loan, which I was
9 connected with, and part of before the thing.
10 Our company papers, and I destroyed all of
11 them. I had no reason to have them.

12 Q. I'm interested in that as well.
13 When did you first start destroying documents
14 in 1999, related to Oak Hills in any way?

15 A. Well, I would say I really can't
16 recollect the exact time.

17 Q. Okay. Was it --

18 A. But it was --

19 Q. -- in the winter?

20 MR. BURKE: Objection. Asked and
21 answered. You may answer if you know.

22 A. I really can't pinpoint a time. I
23 just know I started getting rid of papers
24 because they were piling up too much and -- and
25 it was Oak Hills papers, which I knew we

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1 wouldn't -- if the thing had gone through, I
2 destroyed what I didn't -- wouldn't need.

3 Q. Okay. How did you determine what
4 you would need and what you wouldn't need?

5 A. Well, I'm talking about basically
6 with -- the company records was like some
7 copies of Board meetings and all of Oak Hills
8 stuff, and I didn't figure I would have any
9 need of them, whether this sale went through or
10 not.

11 Q. Is there any way you can pinpoint
12 with greater specificity, when you started
13 destroying documents in 1999?

14 MR. BURKE: Objection. Asked and
15 answered. You may answer again.

16 A. As I said, I can't remember the
17 exact date, but it was -- I started on the Oak
18 Hills papers, gosh, I don't know, probably
19 earlier in 1999, because I had no reason to --
20 for the papers that I had, to keep for any
21 reason.

22 Q. And what papers specifically are
23 we talking about?

24 A. Reports from management to the
25 Board, copies of Board meetings, which I didn't

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1 feel I needed, and all reports from different
2 committees.

3 Q. And all of these documents were
4 shredded, correct?

5 A. Um-hmm.

6 Q. Yes?

7 A. Yes, sir.

8 Q. And you personally did the
9 shredding, correct?

10 A. Yes, sir.

11 Q. Why did you shred these documents?

12 A. Because I didn't want to throw
13 them out as they were, just tear them up and
14 have the papers end up in a dump where they
15 would be whole. I shredded them so that they
16 couldn't be seen by anybody.

17 Q. Please describe, for the record,
18 what your home office looked like where you did
19 your Oak Hills business.

20 A. At home?

21 Q. Yes.

22 A. It was in our -- I live in a
23 condominium. We have living quarters on the
24 top and we have a big room downstairs, which I
25 had a desk and I did the work down there.

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1 Q. And did you have these Oak Hills
2 related documents in file cabinets or in boxes?
3 Please describe to me how you had these
4 documents.

5 A. Well, actually the biggest part of
6 them, or a big part of them were being piled up
7 on the desk. And some of them were in books
8 that were -- would relate to one particular
9 thing, you know.

10 Q. And during 1999, you maintained
11 books and records related to the proposed
12 merger with Provident or other potential
13 acquirers at your home, correct?

14 A. You say books. Yes, the book I
15 had was all of the resolutions and such that
16 had to be made and we had to have on record at
17 Oak Hills.

18 Q. Now, during 1999, did you take
19 notes at Board meetings and committee meetings
20 and things like that?

21 A. I didn't take notes, I just
22 conducted the meetings. And I was always given
23 a copy of the meetings from our president, who
24 conducted -- who took his notes and really
25 conducted the business of the meeting, because

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DEPOSITION TESTIMONY: HANAUER

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1 A. My final agreement personally to
2 sign the agreement was after I had been -- all
3 opinions and all efforts had been defeated, and
4 so just to espouse a unanimous vote -- I was
5 not asked to do that, that was something
6 personally that I did -- so just to show that,
7 that unanimous -- that unanimous vote, I did do
8 that.

9 Q. Was it important that the vote to
10 sell the company be unanimous?

11 A. That was never stressed by the
12 marketers or our legal counsel. In discussions
13 with different folks throughout the
14 transaction, it had been expressed to me that
15 that would make the sale go better, but that
16 was never -- I was never persuaded to do that.
17 That was something that I just did on my own.

18 Q. Who told you that it would make
19 the sale go better?

20 A. I had talked with, again, various
21 people over the years, not specific just to
22 this transaction, but there's some
23 representatives from Stifel, Nicolaus out of
24 St. Louis, some folks from ABN AMRO out of
25 Chicago, and our own, our own marketers, the

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1 because of the remedies within the contract.

2 Q. The breakup fee?

3 A. Yes.

4 Q. Anything else?

5 A. That and the detriment that would
6 be done to reputation, everything else. We
7 tried to run as clean an organization as we
8 could run, and independent and community
9 oriented. And I think again, once you've
10 announced -- that's why I fought the ad hoc
11 committee, once you announce that you're for
12 sale, the whole tenor of your day-to-day
13 operation changes. Customers change,
14 employees' thought processes change, everything
15 changes.

16 Q. Would you characterize this deal
17 as remarkable in terms of shareholder value?

18 A. I don't know that I would.

19 MR. BURKE: Objection to form.
20 You may answer.

21 A. I don't know that I would have
22 used the term remarkable, no, sir.

23 Q. Why not?

24 A. Because of the value that was
25 created for the, you know, in the proposal of

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1 A. Well, I offered my opinion.

2 MR. BURKE: Him personally, you're
3 saying?

4 Q. Yes.

5 MR. BURKE: Objection.

6 A. Yeah, I offered my opinion. My
7 opinion was not in the final document.

8 Q. Well, how about at the shareholder
9 meeting? Did people say, is this really a good
10 idea, in words or substance to you?

11 A. In, in that meeting, when it was
12 asked is this -- I believe the question was, is
13 this a good transaction, is it a good
14 transaction. I have to answer yes. Is it a
15 transaction that Ken Hanauer would have gone
16 out and sought, no, but that wasn't the
17 question that was asked. I wasn't ready to
18 retire at 50.

19 Q. So you were being extremely
20 precise with your language at the shareholder
21 meeting?

22 A. Yes, sir, I was.

23 Q. Even if it didn't convey the full
24 extent of your feeling?

25 A. I did not let my personal feelings

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1 Had I resigned immediately before the deal was
2 signed, it might have been better for the
3 shareholders because they could have perceived
4 that the renegade was gone. Had I resigned
5 after the deal was done, you know, there may
6 have been some perceptions there, but the deal
7 was already cut, so I'm not sure.

8 Those are all things that as you
9 get into a transaction that is not a
10 transaction of your making, you have to deal
11 with. And it was -- this was a very difficult
12 time for me personally and professionally.

13 Q. Aside from considering and
14 ultimately rejecting resigning as CEO and
15 director of the company, what else could you
16 have done to add some chaos to the process, to
17 paraphrase your previous answer?

18 A. I think I could have probably
19 joined forces with folks who wanted to stop the
20 transaction. That would have -- that would
21 have been violating, in my opinion, a fiduciary
22 liability to the -- fiduciary responsibility to
23 the shareholders because, you know, you would
24 be acting -- I would be acting personally more
25 than professionally.

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1 Q. Now, let's talk about these personal
2 feelings. When you were conducting this meeting,
3 you were a board member and a CEO of Oak Hills at
4 that time, correct?

5 MR. BURKE: Objection, asked and
6 answered. Already established that.

7 A. Yes.

8 Q. And do you feel that the shareholders
9 of Oak Hills had a right to your opinion as the
10 CEO of the company and also as a director of the
11 company?

12 A. Not in that forum. I believe if they
13 wanted my personal opinion, they certainly had
14 the opportunity to ask my personal opinion and I
15 would have given it to them. But I was not in a
16 position to offer or editorialize on my personal
17 opinion.

18 Q. Can you please explain to me the
19 difference between your personal opinion and your
20 opinion as a board member and a CEO of the
21 company?

22 A. The means by which we got to this
23 transaction was not a means in which I would have
24 taken. I did not feel that, personally, that I
25 would have entered into this transaction in this

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1 at that point, and you said that you felt you
2 were ultimately successful, correct?

3 A. I believe at the end of the
4 discussion his recollection was cleared that
5 \$22.50 a share was not an absolute, yes, sir.

6 Q. Did anyone else present at the
7 meeting say anything on this topic?

8 A. There was general discussion. I do
9 not have recollection as to specific
10 conversations that other individuals might have
11 offered.

12 Q. Your term "general discussion"
13 implies that other people spoke in addition to
14 you and Mr. Brinker.

15 A. That's correct.

16 Q. Can you tell me the sum and
17 substance, if not the actual words, that were
18 said with respect to this particular point?

19 A. Only that other members were aware of
20 the exchange ratio and the calculation and how it
21 was to be handled. Again, I had a handout for
22 them in that meeting, and they were reviewing
23 that handout.

24 Q. And at this meeting, it looked
25 increasingly that the shareholders would get

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1 MR. BRAUTIGAM: I won't proceed by
2 your lead. I just want to make that clear. Can
3 I have the last question read back, please?

4 (The record was read by the reporter.)

5 A. No, sir, that would not be fair. I
6 believe that I'll try to answer your questions as
7 completely and as forthright as I can. I'm
8 trying to listen to your questions carefully so
9 that I don't answer something you haven't asked.
10 But again, I will volunteer and give you any
11 information that I can that can be factual.

12 Q. Okay. Let's jump to the special
13 meeting of the shareholders. You testified
14 previously that at that meeting you said it was a
15 good transaction, correct?

16 A. I believe it was a fair transaction.
17 I believe the terminology I used was a fair
18 transaction, yes.

19 Q. And you also testified that you did
20 not believe that this transaction was in the best
21 interests of the shareholders, correct?

22 A. I testified that was my personal
23 belief, yes, sir.

24 Q. And you also testified that you
25 didn't have to reveal your personal belief at

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1 that meeting because nobody asked you that
2 precise question at the shareholder meeting,
3 correct?

4 A. It was my belief that it was not my
5 position to offer my personal feelings, and I
6 abstained from doing that in that meeting, and no
7 one asked me my personal feelings. So I was very
8 careful not to interject in that meeting my
9 personal feelings and my emotions, yes, sir.
10 That's my testimony.

11 Q. Okay. At this deposition, unless I
12 tell you otherwise, I am not asking for your
13 personal feelings or your personal emotions. I'm
14 asking for your opinion as the CEO of Oak Hills
15 and also as a board member; is that fair?

16 A. That's fine.

17 Q. Can we proceed on that basis?

18 A. Yes, sir.

19 Q. Let me direct your attention to page
20 3186 in this document, which is Hanauer
21 Exhibit 1. And when we broke last time, we were
22 discussing a series of bullet points, correct?

23 A. Yes, sir, I believe we were.

24 Q. And I think we're up to the bullet
25 point more or less in the middle of the page, and

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1 your note to the right of that. Do you see your
2 note, sir?

3 A. Referencing, "Substantially greater
4 liquidity?" Is that where you're referring?

5 Q. Are you on 3186?

6 A. That's where I am, yes, sir.

7 Q. Okay. Do you see your note to the
8 right of that?

9 A. "No mention of Lindner Family
10 Holdings."

11 Q. And why did you write that note in
12 your document?

13 A. That is a note that stems from a
14 conversation that I had had with Barry Forrester,
15 and again, it was his opinion that possibly this
16 document could have contained information to that
17 regard.

18 Q. Did you agree with that opinion?

19 A. I didn't know how that would taint
20 the transaction one way or another. It's a fact
21 that I believe that the Lindner family, through
22 their various holdings, do have some sway over
23 the Provident Bank and Provident Financial, but I
24 don't know that that would have done anything to
25 dissuade this transaction or have any effect on

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1 management was against the transaction?

2 A. Cliff Roe knew that. He had been in
3 discussions with me and in meetings with me, and
4 he knew how this process -- how we had gotten to
5 this process. And I'm not sure that Cliff had a
6 lot of discussion with other members of
7 management. I know he had spoken with
8 Mr. Condren on several occasions and probably
9 would have determined that Mr. Condren was not a
10 fan of this transaction.

11 Q. And would it also be fair to say that
12 because you knew what Cliff's position was and he
13 knew what your position was, that you didn't
14 constantly or even frequently go to him and say,
15 "Hey, maybe we should include this? Maybe we
16 should include that"?

17 A. I went to Mr. Roe one time, and that
18 was after I had made all these notes, and talked
19 with him at that point in a phone conversation
20 with regards to some of the allegations that
21 Mr. Forrester had made. When I heard terms,
22 "Omission of material fact," I raised those
23 questions -- raised some of those questions
24 throughout the document, I felt that that was a
25 point. I raised those with Mr. Roe, and he told

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1 MR. BURKE: I object. That's not the
2 question you asked him. That is not at all the
3 question you asked him. You asked him whether or
4 not there was a material fact omitted and he
5 said, "Based upon my understanding of that
6 phrase," and he answered that question. Now, if
7 you want to change the question, that's fine, but
8 that's not what you asked him.

9 MR. BRAUTIGAM: Thank you for that
10 recap. Let me move on to my next question.

11 Q. Do you think that there are any
12 material facts in this document that are omitted?

13 A. No.

14 Q. Do you think that there are any
15 material facts in this document that are
16 misstated?

17 A. No.

18 Q. Can you say that without any
19 hesitation?

20 A. I think I did hesitate, but again, it
21 comes down to material fact, so my answer will be
22 no.

23 Q. So it would be fair to say, then,
24 despite these extensive conversations that you've
25 had with Barry Forrester, he was not able to

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1 share, \$20 a share, \$25 a share?" We were trying
2 to get some feedback from every director
3 individually and then collectively so that we
4 could create some strategic thinking at our
5 committee level.

6 Q. How long a document was this
7 questionnaire?

8 A. I believe it was two pages.

9 Q. And this was done in-house with
10 members of the strategic planning committee; is
11 that correct?

12 A. That's correct.

13 Q. And implicit in this questionnaire
14 was that OHSL would remain independent, correct?

15 A. We had a question in there with
16 regards to something to the effect, "Do you want
17 to see us increase the number of offices? If so,
18 how many offices in these given time frames?
19 Should we seek strategic merger partners? Should
20 we sell? Should we remain independent?"
21 Questions like that were in this document.

22 Q. In the third paragraph at the very
23 end, it says, "M.U.C." Do you see that?

24 A. Yes. Motion unanimously carried.

25 Q. Do you remember anything about this

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1 folks may have them and they may not have them.

2 It's at their sole discretion.

3 Q. But do you believe that they exist
4 between the books and records of Oak Hills
5 Savings and Loan?

6 A. No, no. Hmm-um. They were not a
7 formal document that would have been kept like
8 a blackboard minutes, no.

9 Q. When is the last time you saw
10 these minutes, meaning the management team
11 minutes.

12 A. That would be, that would be
13 difficult. I had, I had my own set, which I
14 destroyed as I was cleaning my desk out,
15 probably on or about this time -- no, I didn't
16 do that until probably after December 3rd, so I
17 would have waited until after -- yeah, sometime
18 between December 3rd and December 31 as I was
19 cleaning out junk, I would have destroyed my
20 copy.

21 Q. Okay. Let me get this straight.
22 Your testimony under oath is that after the
23 filing of this lawsuit, you destroyed documents
24 relevant to the lawsuit; is that correct?

25 A. I didn't perceive the minutes of

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1 KENNETH HANAUER

2 having been previously duly sworn, further

3 testified as follows:

4 CONTINUED CROSS-EXAMINATION

5 BY MR. BRAUTIGAM:

6 Q. Good afternoon, Mr. Hanauer.

7 A. Good afternoon, sir.

8 Q. I remind you that you're still

9 under oath.

10 A. Okay.

11 Q. Mr. Hanauer, we talked at length

12 last time about the proxy materials and the

13 prospectus. Do you remember generally that

14 testimony?

15 A. Yes, sir.

16 Q. And we talked about the vote of

17 the Board of Directors of OHSL unanimously

18 approving the transaction. Do you remember

19 that testimony?

20 A. Yes, sir.

21 Q. And you testified over the course

22 of three days that the Board, in fact, did

23 approve the transaction unanimously. Do you

24 remember that testimony?

25 A. That's correct.

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1 Q. Okay. And that is reflected here
2 on the first page of the proxy materials, where
3 it says, your Board of Directors has -- excuse
4 me, your Board of Directors unanimously
5 approved the acquisition and believes that it
6 is in the best interest of OHSL stockholders.
7 Do you see that?

8 A. Yes, sir, I do.

9 Q. And that sentence refers to the
10 8/2/99 vote, correct?

11 A. Yes, sir.

12 Q. Okay. You're familiar with the
13 word unanimously as it's used in that sentence,
14 correct?

15 A. Yes, sir.

16 Q. What do you understand that word
17 to mean as it's used in that sentence?

18 A. That everyone that participated in
19 the vote, voted in favor of the transaction.

20 Q. Okay. It doesn't say that in the
21 document, does it?

22 A. It's inferred with the term
23 unanimously. I don't believe it does, no, sir.

24 Q. Okay. It says, your Board of
25 Directors unanimously approved the

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1 acquisition --

2 A. Yes.

3 Q. -- stop. Correct?

4 A. Correct.

5 Q. Now, as of 8/2/99, who were the
6 directors?

7 A. Norb Brinker, Bill Hillebrand, Al
8 Hucke, myself, Joe Tenoever, Tom McKiernan, and
9 Howard Zoellner, seven of us.

10 Q. Okay. And do you think it's a
11 reasonable reading of the first part of that
12 sentence, your Board of Directors unanimously
13 approved the acquisition, stop, that all seven
14 of the directors you just named voted in favor
15 of the transaction?

16 A. That is correct.

17 Q. Okay. Let's --

18 A. There was no opposition to the
19 vote, okay? At the time that we voted, there
20 was no opposition to the transaction.

21 Q. Okay. Let me ask the question
22 again.

23 A. Okay.

24 Q. With respect to that first part of
25 the sentence, your Board of Directors

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1 unanimously approved the acquisition, stop.

2 A. Um-hmm.

3 Q. Do you believe as you sit here
4 today that it's a fair reading of that part of
5 the sentence that those seven directors you
6 named, unanimously voted to approve the
7 transaction?

8 A. They voted individually for the
9 transaction, yes, sir.

10 Q. All seven directors?

11 A. Yes, sir.

12 Q. Okay. Let's take a look at what
13 has been previously marked as McKiernan Exhibit
14 2, and I'm handing it to you. Have you seen
15 McKiernan Deposition Exhibit Number 2 before?

16 A. Yes, sir.

17 Q. Are you familiar with it?

18 A. Yes, sir.

19 Q. Do you recognize it?

20 A. Yes.

21 Q. What is McKiernan Deposition
22 Exhibit Number 2?

23 A. It's a copy of the minutes of a
24 meeting held on August 2nd, 1999 of the Board
25 of Directors, a special meeting of the Board of

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1 Directors of OHSL Financial.

2 Q. And this was the special meeting
3 that approved the transaction that we're
4 talking about, correct?

5 A. That's correct.

6 Q. Okay. Would you please read into
7 the record the directors who were present?

8 A. Brinker, Hanauer, Hillebrand,
9 Hucke, Tenoever, and Zoellner.

10 Q. Those are six directors, correct?

11 A. Absolutely.

12 Q. Mr. McKiernan was not present,
13 correct?

14 A. According to these minutes, he was
15 not, yes, sir.

16 Q. In fact, he was in Europe on a
17 cruise, correct?

18 A. I believe you're correct. He was
19 in the Mediterranean, I think, yes.

20 Q. Okay.

21 A. If memory serves me, yes.

22 Q. Would it be fair to say that Mr.
23 McKiernan, because he was not present, was not
24 one of the directors who unanimously voted to
25 approve the transaction?

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1 A. Yes, sir, you can -- you could say
2 that.

3 Q. Is there any other reasonable
4 reading of McKiernan Exhibit 2 and the first
5 page of the proxy materials?

6 A. No, sir. Again, the proxy
7 materials state that the Board of Directors,
8 which would infer the whole Board of Directors,
9 unanimously approved. And in fact, in looking
10 at the minutes dated August 2, it was only the
11 directors at the meeting that unanimously
12 approved the transaction.

13 Q. Okay. Do you believe that Mr.
14 McKiernan's lack of a vote on this issue at
15 this meeting is material information?

16 A. Absolutely not, because he was
17 very pro the transaction. He was the one
18 that -- he was one of them that spurred the
19 transaction, so I -- in my opinion, it is
20 totally irrelevant that he was not at that
21 meeting.

22 Q. Okay. Well, why didn't you tell
23 the shareholders that?

24 A. Why didn't I tell the shareholders
25 what?

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1 Q. That he was not a director who had
2 voted to approve the transaction, and therefore
3 the transaction -- the vote on the transaction
4 was not unanimous.

5 A. I cannot answer that, because it
6 did not -- that did not cross my mind. And it
7 was not pointed out to me in the drafting of
8 all the documents that, in fact, and in my
9 memory, in fact, that Mr. McKiernan was not at
10 the meeting of August the 2nd. He had been at
11 the majority of the other meetings and was very
12 proactive, so that, that is an error in the
13 document which to date I had not even been
14 aware of consciously.

15 Q. Okay. Do you believe that the
16 first part of the sentence that we're focused
17 on now, your Board of Directors unanimously
18 approved the acquisition, stop, states that
19 aside from Mr. McKiernan who was in Europe, and
20 aside from Mr. Herron who had resigned and was
21 no longer a member of the Board, the remaining
22 six directors all voted unanimously in favor of
23 the transaction?

24 A. The -- I'm sorry, when you
25 mentioned Mr. Herron, I -- my mind went off in

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1 another -- restate the first part of your
2 question again.

3 Q. Okay. You testified a moment ago
4 that you forgot that Mr. McKiernan was in
5 Europe.

6 A. Okay.

7 Q. And that to that extent this was
8 wrong, although you did not believe it's
9 material, correct?

10 A. Yes, sir, that's a good summation.

11 Q. Okay. Now, what I'm asking you
12 now is, is it a fair reading that the first
13 part of the sentence, your Board of Directors
14 unanimously approved the acquisition, stop,
15 means to convey that the six remaining
16 directors did, in fact, unanimously vote to
17 approve the transaction?

18 A. Yes.

19 Q. Okay. Mr. Brinker testified under
20 oath that he did not vote at the August 2nd,
21 1999 meeting. So, in fact, he never voted to
22 approve the transaction. Is that consistent
23 with your recollection?

24 A. Mr. Brinker, in any controversial
25 discussions that we ever got into, would always

00751

1 use his position as Chair not to vote. And I
2 don't recall -- I don't believe there was any
3 discussion in this proceeding, but in other
4 proceedings that he would not -- it was not a
5 requirement for him to vote and would not do so
6 unless there was a tie. So I do not know what
7 was in his heart at the time.

8 Certainly this document went out
9 over his signature. He knew of the contents of
10 the document. And if at this juncture it's his
11 testimony that he didn't vote for the
12 transaction, that's something that's got to be
13 on his conscience, not mine.

14 Q. Okay. Let's see if we can put
15 aside what's in Mr. Brinker's heart and on Mr.
16 Brinker's conscious. At the August 2nd --

17 A. I can't address whether he said
18 aye or nay. There were no nays when he asked
19 for the vote. That's all I can -- that's all I
20 can tell you. There were -- there was nobody
21 sitting around that table of the six directors
22 present that said they were not in favor of
23 this transaction.

24 Q. Okay. My question is a little
25 different. You were at the meeting on August

00752

1 2nd, 1999, correct?

2 A. Yes.

3 Q. Okay. Did Mr. Brinker vote?

4 A. I told you I -- whether he said

5 aye or nay, whether he said aye -- he called

6 for the vote. Should he have said aye? I

7 cannot address that. I do not know whether he

8 uttered anything or not. I, I can't tell

9 you --

10 Q. Okay.

11 A. -- because I don't know.

12 Q. Okay. Why don't you know?

13 A. What do you mean, why don't I

14 know? We didn't sit there and go around the

15 room, all in favor, aye, and there was some

16 grumblings and that was it. There was no aye,

17 aye, aye. There was not a call for a vote of

18 each individual person as to what their

19 position was. It just didn't happen that way.

20 Now, that would be a question why

21 he -- to him, as to why he didn't call for a

22 specific utterance from each individual so you

23 would know whether the relevance of that

24 paragraph -- you know, whether that paragraph

25 is correct or not. I can't address that, I

00753

1 didn't run the meeting.

2 Q. Okay. Let me ask you to assume
3 for the sake of this question that Mr. Brinker
4 testified that he did not vote in favor of the
5 transaction or against the transaction. He
6 just didn't vote. If you assume for the
7 purposes of this question that that is a fact,
8 do you believe that the first part of that
9 sentence --

10 A. Then his document is wrong, okay?

11 Q. Okay. Let me finish the question.
12 Do you believe the first part of that sentence,
13 your Board of Directors unanimously approved
14 the acquisition, is correct?

15 A. I guess you could stretch that
16 into being it is not correct if he didn't vote
17 either way. I, I can only assume at this point
18 that if we sat around the table and nobody
19 uttered anything, we would still be sitting
20 there a year later. You know, it was the --
21 again, in prior meetings and, in fact, when you
22 look at this paragraph, it does not state that
23 it is the meeting of August the 2nd that it is
24 referencing.

25 MR. BRAUTIGAM: Okay. Move to

00754

1 strike everything after "not correct."

2 Q. I thought we had covered that a
3 moment ago. When it says here, your Board of
4 Directors unanimously approved the acquisition,
5 stop. We are talking about that special
6 meeting on August 2nd, 1999, are we not?

7 A. How would we, the reader of that
8 document, know that, if you want to be that
9 specific?

10 Q. Well, can you answer that question
11 yes or no?

12 A. Are we talking about that meeting?
13 I believe the document is talking about that
14 meeting, yes.

15 Q. Okay. Is there any other possible
16 meeting that you're referring to?

17 A. There were, there were many
18 meetings in which all of the directors voiced
19 opinions as to whether they would and had
20 intention of approving the transaction.

21 Q. Was there any meeting, other than
22 the 8/2/1999 meeting, that you could think of
23 that would be referring to the first part of
24 that sentence, your Board of Directors
25 unanimously approved the acquisition, stop?

00755

1 A. No. I believe it was the intent
2 of this paragraph to refer to the 8/2 meeting.

3 Q. Do you believe that the vote or
4 nonvote of the Chairman of the Board of
5 Directors on this transaction is material
6 information?

7 A. Whether he voted or not?

8 Q. Yes.

9 A. I believe that -- yeah, I believe
10 that could be material information.

11 Q. Okay. Do you believe that it's
12 properly disclosed in this document, based on
13 our conversation today?

14 MR. RAMSEY: Objection.

15 A. It is not in the document that he
16 did not vote, if that is his testimony that he
17 did not.

18 Q. Okay. Actually it was also the
19 testimony of Mr. McKiernan. Mr. McKiernan --

20 A. Mr. McKiernan wasn't even there,
21 how would he know what Norb did?

22 Q. Actually, from the Board --

23 A. Mr. McKiernan cannot testify to
24 what Norb did on 8/2, he was thousands of miles
25 away.

00756

1 Q. Actually I take that back. What
2 Mr. McKiernan said, and what I meant to convey,
3 was that Mr. McKiernan testified that it was
4 plain that the phrase, your Board of Directors
5 unanimously approved the acquisition, stop,
6 meant that of those directors who were there
7 and who were eligible to vote, that they had
8 unanimously approved the transaction. And I
9 pointed out that, well, that's not true and
10 correct, either.

11 A. Okay.

12 Q. But anyway, that's between --

13 A. Okay.

14 Q. -- Mr. McKiernan and myself.

15 A. Okay.

16 Q. I did not mean to misspeak
17 earlier.

18 A. Sure.

19 Q. Do you believe that whatever Mr.
20 Brinker did as Chairman of the Board should
21 have been disclosed to the shareholders? In
22 other words, if he didn't vote to approve the
23 transaction, fine, he could have said the
24 directors who were there and who were eligible
25 to vote, did vote to unanimously approve the

00757

1 transaction, but I abstained. Do you think
2 that would have been better?

3 A. If it is his testimony and intent
4 to have abstained, yes. If he purposely, if he
5 purposely did not -- if he purposely did not
6 vote, then I believe that should have been
7 disclosed, yes, sir.

8 Q. Okay.

9 A. I believe that.

10 Q. It is his testimony that he
11 purposely did not vote, because he said he
12 never voted. He voted only to break ties and
13 he couldn't remember any ties. And he
14 purposely did not vote on this transaction or
15 any other transaction during the time he was
16 OHSL Chairman, although some people seem to
17 remember him breaking a tie.

18 A. Yes, he broke ties.

19 Q. It was his testimony that he did
20 not vote ever.

21 A. Okay.

22 Q. Okay. Why wasn't this disclosed
23 to the shareholders?

24 MR. RAMSEY: Objection.

25 A. I'm going to reiterate it again.

00758

1 I was not aware of his abstention. I took
2 these minutes and if it was his will and wish
3 to have abstained, then he should have told me,
4 because if you -- he should have told me of
5 that fact. Because if you look through our
6 corporate minutes both on the savings and loan
7 side and on the holding company side, at
8 various meetings you will see abstentions
9 noted. That was something that I did on a
10 regular basis and I made sure I got the names
11 right.

12 So it was not an act that was
13 deliberate, it was an act that -- you know, it
14 was unanimous. He, in fact, declared that it
15 was unanimous and we moved on. Now, if it was
16 not unanimous and he didn't vote, or if it was
17 unanimous of those voting, then he should have
18 made some comment to the effect that the
19 transaction is approved by all of those voting
20 and I abstained, or what have you. He didn't
21 do that.

22 As the minute taker, I don't
23 believe -- and I'm not trying to absolve myself
24 of anything here -- I don't believe that that
25 was my responsibility to try to drag out of him

00759

1 that he didn't vote in the transaction. It
2 never crossed my mind, because the man was for
3 the transaction very early on in the process.
4 So I would have never dreamt that at the, at
5 the final meeting when everything -- we had
6 done literally everything to be done except
7 take the final vote, that he would, he would
8 abstain from that vote. That never crossed my
9 mind until you raised the question right here
10 along, with Mr. McKiernan not being at the
11 meeting.

12 Q. Was Charlie Crowley in the room
13 when the vote was taken?

14 A. For the actual vote, I'm not sure
15 whether he had stepped out, but I believe that
16 they both were there, that Charlie and Jeff
17 were there.

18 Q. How about Cliff Roe?

19 A. Yes, he was there. That I know,
20 but Mr. -- but Mr. Crowley and Mr. Moritz were
21 in and out, making phone calls, so there is a
22 possibility he was not in the room. I, I am
23 not certain of that, but Cliff was there, yes.

24 Q. Okay. Based on what I've told you
25 today, do you believe that the 8/2/99 special

DEPOSITION TESTIMONY: HERRON

1 circumstances -- I'm positive I used that
2 phrase with most of them -- that led me to that
3 decision.

4 Q. Okay. Would it be fair to say
5 that you were resigning in part in protest?

6 MR. BURKE: Objection.
7 Mischaracterizes the evidence. You may answer.

8 A. I don't know that "protest"
9 characterizes it. It was a very low profile
10 type of a thing. I was one of eight directors
11 and was the only one apparently against it as
12 of that July 22nd meeting.

13 Q. Well, what was Mr. Hanauer's
14 position at that July 22nd meeting?

15 A. In the vote that was taken, he
16 abstained.

17 Q. Did you perceive that as being
18 against the merger?

19 MR. BURKE: Objection. Calls for
20 speculation.

21 A. My personal perception of Ken
22 Hanauer up until that date was that he was
23 against the transaction.

24 Q. Did that change on that date?

25 A. Changed from a no vote to an

00059

1 September 11th before the deposition, correct?

2 A. Correct.

3 Q. Did Mr. Burke correct in any way
4 what he told you previously that was not true?

5 A. No, he did not.

6 Q. Okay. I'm handing you what has
7 been marked as Herron Deposition Exhibit 8 and
8 I ask you to take a look at it. Have you seen
9 it before?

10 A. Yes, sir.

11 Q. Are you familiar with it?

12 A. Yes, I am.

13 Q. Do you recognize it?

14 A. Yes, I do.

15 Q. What is Herron Deposition Exhibit
16 8?

17 A. This is the transcript of my first
18 deposition session on September 11th, 2001.

19 Q. Have you had a full and fair
20 opportunity to review this transcript?

21 A. Yes, I have.

22 Q. Is there anything you would like
23 to change or anything you'd like to amplify
24 with respect to the first day of your
25 deposition?

00061

1 Q. Page 14, line 23.

2 MR. BURKE: Thank you.

3 A. I'd like to amplify that comment.

4 The objection to relevance and the length of
5 the question were distracting. Of course the
6 document, by not stating complete information,
7 would not have been fair.

8 Q. Can you just reference which
9 document we're referring to?

10 A. The proxy statement, I'm sorry,
11 Herron Deposition Exhibit 2.

12 Q. Okay. Please continue.

13 A. Fairness on the grounds of
14 completeness and accuracy. Regarding page 30,
15 line -- the answer beginning with line eight,
16 the question was had I resigned in part in
17 protest. Being from the 1960s, my immediate
18 image of protest is something a little more
19 violent than what I was involved with here.
20 Protest, of course, is just an expression of
21 disapproval. And in that sense, I certainly
22 resigned in protest.

23 Q. Do you have anything else to add
24 or clarify or amplify with respect to that
25 transcript?

00260

1 August the 2nd, 1999; is that right?

2 A. That's correct.

3 Q. Okay. You never did see the final
4 definitive agreement of merger because that was
5 prepared after July 22nd; is that correct?

6 MR. BRAUTIGAM: Objection. It was
7 included in the proxy materials.

8 A. Yes. I saw it in the proxy
9 materials.

10 Q. Okay. As a member of the Board of
11 Directors, you never saw a definitive merger
12 agreement, correct?

13 A. That's correct.

14 Q. Okay. That had not been prepared
15 as of July 22nd?

16 A. That's correct.

17 MR. BRAUTIGAM: Objection. He was
18 on the Board till the 30th.

19 MR. BURKE: Please don't testify,
20 Mr. Brautigam.

21 MR. BRAUTIGAM: Ask --

22 BY MR. BURKE:

23 Q. You indicated that at this
24 meeting, Mr. Brinker stated that he was in
25 favor of that transaction, correct?

00261

1 A. Yes, sir.

2 Q. You also indicated that from your
3 prior experience with Mr. McKiernan, you knew
4 that he was in favor of the transaction,
5 correct?

6 MR. BRAUTIGAM: Objection.

7 Objection.

8 A. Yes, sir. And he voted the way I
9 expected him to vote.

10 Q. On July the 22nd?

11 A. Yes, sir.

12 Q. Was there any doubt in your mind
13 that Mr. McKiernan would vote in favor of this
14 transaction at any point after July 22nd, 1999?

15 MR. BRAUTIGAM: Objection.

16 A. I have no doubt at all.

17 Q. Okay. Is there any doubt in your
18 mind after what you heard on July 22nd, 1999,
19 that Mr. Brinker was going to continue to vote
20 in favor of this transaction when he had the
21 opportunity to do so?

22 MR. BRAUTIGAM: Objection. Wait a
23 second. Are you representing that he did vote
24 in favor of this transaction?

25 Q. You may answer, Mr. Herron.

00262

1 MR. BRAUTIGAM: Objection. Let's
2 have the question read back, please.

3 (Record read by Reporter.)

4 MR. BRAUTIGAM: That
5 representation is directly contrary to the
6 evidence so far.

7 Q. You can answer, Mr. Herron.

8 A. Contrary to what I have said in
9 the past, he voted because he was asked to
10 vote. In all other situations, he was the
11 chairman, he was not asked to vote and, as I've
12 stated in the past, generally did not vote.

13 Q. Okay.

14 A. And that's different from
15 abstaining, correct?

16 MR. BRAUTIGAM: Objection.

17 A. Not voting?

18 Q. Yes.

19 A. And abstaining? I'm sorry, I
20 don't know the difference.

21 Q. Well, you'd indicated that Mr.
22 Brinker, during your experience, as chairman
23 did not vote unless he was asked to do so?

24 MR. BRAUTIGAM: Objection.

25 A. If a tie needed to be broken.

1998 OHSL 10-K Excerpts

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

OHSL FINANCIAL CORP.

Date: March 24, 1999

By: /s/Kenneth L. Hanauer

Kenneth L. Hanauer, President
and Director

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/Kenneth L. Hanauer

Kenneth L. Hanauer, President
and Director
(Principal Executive Officer)

/s/Norbet G. Brinker

Norbert G. Brinker, Chairman
of the Board

Date: March 24, 1999

Date: March 24, 1999

/s/William R. Hillebrand

William R. Hillebrand, Director

/s/Thomas M. Harron

Thomas M. Herron, Director

Date: March 24, 1999

Date: March 24, 1999

/s/Alvin E. Hucke

Alvin E. Hucke, Director

/s/Thomas E. McKiernan

Thomas E. McKiernan, Director

Date: March 24, 1999

Date: March 24, 1999

/s/Joseph J. Tenoever

Joseph J. Tenoever, Director

/s/Howard H. Zoellner

Howard H. Zoellner, Director

Date: March 24, 1999

Date: March 24, 1999

/s/Patrick J. Condren

Patrick J. Condren, Treasurer
(Principal Financial and
Accounting Officer)

Date: March 24, 1999

Exhibit 11. Earnings Per Share

The calculation of earnings per share ("EPS") is presented below. Earnings per share are calculated by dividing the Corporation's net income by the weighted average shares outstanding during the period. Weighted average shares

1998 PFGI 10-K Excerpts

- Gain on Sales of Loans and Leases -- Provident securitizes and/or sells a portion of its loans and leases, while generally retaining the servicing of these loans and leases. The proceeds from these sales permit Provident to originate a higher volume of loans and leases than would normally be possible for a company its size. The following provides detail of the gain on sales recognized during the past three years.

TABLE 7: Gain on Sale of Loans and Leases

	1998	1997	1996
	(In Thousands)		
Gain/(Loss) Based on Cash Received:			
Equipment Lease Securitization	\$13,429	\$-	\$-
Equipment Lease Residuals	8,939	1,761	1,694
Auto Lease Sales and Terminations	7,549	4,804	2,468
Conforming Residential Loan Sales	5,077	6,335	2,266
Credit Card Whole Loan Sales	3,420	-	-
Nonconforming Whole Loan Sales	290	495	1,800
Other Loan Sales	447	156	328
Gain/(Loss) Based on Retained Interest in Securitized Assets Received:			
Nonconforming Loan Securitizations	36,337	36,886	17,699
Prime Consumer Home Equity Securitizations	4,733	10,446	-
	\$80,221	\$60,883	\$26,255

Equipment leases of \$211.3 million, originated or acquired by our Information Leasing business line, were securitized and sold during 1998. The recognized gain of \$13.4 million was based on cash cash received.

Nonconforming assets sold by Provident are sold to our Consumer Financial Services business line, have been securitized and sold on a quarterly basis since 1996. Total loans securitized and sold were \$1,060 million, \$844 million and \$264 million in 1998, 1997 and 1996, respectively. Under these types of sales, gains or losses are determined based on a present value calculation of future cash flows, using the cash-out methodology, of the underlying loans, net of interest payments to security holders, loan loss and prepayment assumptions and normal servicing revenue. Interest income is recognized throughout the life of the securitization at the rate that the future cash flows have been discounted.

Under the securitizations, residual cash flows are retained in the securitization trusts and allowed to accumulate. These accumulated cash flows act as credit enhancement assets for the securitization trusts' security holders. Once certain targeted levels are achieved, subsequent residual cash flows are distributed to Provident on an unrestricted basis. In addition, the accumulated cash flows held within the securitization trusts will also be distributed to Provident over the term of the securitization. The cash-in method of determining the fair value of the retained interest in securitized assets discounts the projected residual cash flows at the time such cash flows are expected to be received by the securitization trust. The cash-out method of determining the fair value of retained interest in securitized assets required by the FASB and SEC discounts the projected residual cash flows at the time such cash flows are expected to be distributed to Provident.

During the first quarter of 1998, Provident changed its securitization structure as discussed in Note C to the Consolidated Financial Statements, and as a result, the calculation of gains on securitization of loans was computed using the cash-out method. Prior to 1998, the cash-in method had been used. During the fourth quarter of 1998, the Financial Accounting Standards Board and Securities and Exchange Commission indicated that the cash-out method is the only acceptable method to calculate gains. The cash-out method results in lower initial gains on the sale of loans and higher subsequent interest income from the accretion of the additional cash-out discount. As discussed in Provident's amended Form 10-K for 1997, prior years' results were restated to reflect the change in methodology.

Home equity loans have also been sold and securitized during 1998 and 1997. During 1998, \$183.2 million of home equity lines of credit were sold resulting in a recognized gain of \$4.7 million. During 1997, \$244.5 million of home equity loans were sold providing a gain of \$10.4 million.

Management believes that these risks involved in recording noncash loan sale gains. However, management believes it is making conservative assumptions as to anticipated prepayment speeds and credit losses. Prepayment speed assumptions for nonconforming loan securitizations have been increased, starting with a base 10% constant prepayment rate ("CPR") for unseasoned loans, and increasing during the life to a 35% CPR for sales occurring since June 30, 1998. Weighted average CPR's for all securitizations are 10.6% and 29.5% for the base CPR and ramped CPR, respectively. The average annual loan loss assumption is 1.06% and the total loan loss to loans sold is 3.25%.

No assurance can be provided that the level of loan originations and acquisitions, along with a favorable interest rate market, will continue to permit the recognition of such gains on sales of loans in future years.

- - Security Gains -- Security gains increased during 1998 and 1997 as a result of management's decision to adopt a more active portfolio management style and to take advantage of interest rate movements.
- - Other -- The largest components of revenue within other income have been income from investment in partnerships (\$1.7 million in 1998 and 2.9 million in 1997) and the receipt of additional consideration related to a loan that had been restructured (\$4.0 million in 1997 and \$10.0 million in 1996).

Noninterest Expense

Table 8 details the components of noninterest expense and their change since 1996:

TABLE 8: Noninterest Expense

	1998	1997	1996	Percentage Increase (Decrease)	
				1998/97	1997/96
<hr/>					
	(In Thousands)				
Salaries and Employee Benefits	\$124,639	\$101,454	\$79,830	22.9%	27.1%
Depreciation on Operating Lease Equipment	21,662	17,667	7,221	22.6	144.7
Occupancy	16,951	12,744	9,673	33.0	31.7
Professional Services	18,276	14,912	11,463	22.6	30.1
Equipment Expense	20,771	15,208	11,348	36.6	34.0
Charges and Fees	14,317	12,652	8,583	13.2	47.4
Marketing	9,624	7,890	5,103	22.0	54.6
Other	54,161	43,451	33,780	24.6	28.6
<hr/>					
Noninterest Expense Before Significant and Unusual Items	280,401	225,978	167,001	24.1	35.3
Special Charges and Exit Costs	22,005	-	-	-	-
One-Time Deposit Insurance Charge	-	-	8,161	-	-
<hr/>					
	\$302,406	\$225,978	\$175,162	33.8%	29.0%
<hr/>					

Noninterest expense before significant and unusual items increased \$54.4 million (24%) and \$59.0 million (35%) during 1998 and 1997, respectively. Components of noninterest expense, along with an explanation as to their fluctuations, follow:

03-31-99
PFGI 10-Q Excerpt

PROVIDENT FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended March 31,	
	1999	1998
Interest Income:		
Interest and Fees on Loans and Leases	\$131,582	\$123,142
Interest on Investment Securities	24,588	23,157
Other Interest Income	1,305	887
Total Interest Income	157,475	147,186
Interest Expense:		
Interest on Deposits:		
Savings and Demand Deposits	13,245	10,798
Time Deposits	41,923	43,888
Total Interest on Deposits	55,168	54,686
Interest on Short-Term Debt	14,906	12,886
Interest on Long-Term Debt	12,471	10,772
Interest on Junior Subordinated Debentures	2,166	2,166
Total Interest Expense	84,711	80,510
Net Interest Income	72,764	66,676
Provision for Loan and Lease Losses	12,900	5,000
Net Interest Income After Provision for Loan and Lease Losses	59,864	61,676
Noninterest Income:		
Service Charges on Deposit Accounts	7,264	6,412
Other Service Charges and Fees	13,447	14,958
Operating Lease Income	8,898	9,054
Gain on Sales of Loans and Leases	31,839	13,526
Security Gains (Losses)	(7)	3,692
Other	3,126	2,063
Total Noninterest Income	64,567	49,705
Noninterest Expense:		
Salaries, Wages and Benefits	34,980	29,337
Depreciation on Operating Lease Equipment	4,725	5,282
Occupancy	4,208	3,807
Equipment Expense	5,302	4,231
Professional Fees	3,635	3,973
Charges and Fees	3,732	2,394
Other	15,715	15,607
Total Noninterest Expense	72,297	64,631
Income Before Income Taxes	52,134	46,750
Applicable Income Taxes	18,379	16,090
Net Income	\$33,755	\$30,660
Per Common Share:		
Basic Earnings Per Share	\$.79	\$.71
Diluted Earnings Per Share	.76	.68
Cash Dividends Declared	.22	.20

See notes to consolidated financial statements.

Noninterest Income

The following table details the components of noninterest income and their change for the first quarters of 1999 and 1998 (dollars in thousands):

	Three Months Ended March 31,		Pctg Change
	1999	1998	
Service Charges on Deposit Accounts	\$7,264	\$6,412	13.3%
Other Service Charges and Fees	13,447	14,958	(10.1)
Operating Lease Income	8,898	9,054	(1.7)
Gain on Sales of Loans and Leases	31,839	13,526	135.4
Security Gains (Losses)	(7)	3,692	(100.2)
Other	3,126	2,063	51.5
Total Noninterest Income	<u>\$64,567</u>	<u>\$49,705</u>	29.9

Noninterest income for the first quarter of 1999 increased by \$14.9 million, or 30%, from the prior year first quarter. Explanations for significant changes in noninterest income by category follow:

- - Service charges on deposit accounts increased \$0.9 million due primarily from pricing and volume increases of corporate and personal demand deposit accounts. Also ATM surcharges have increased due to the placement of ATMs in Wal-mart and Sam's Club stores.
- - Other service charges and fees decreased \$1.5 million as the first quarter of 1998 included gains on the sale of stock and stock warrants of commercial loan customers which had been received as part of the loan fee structure. Offsetting this decrease was an increase in loan servicing fees principally resulting from the 1998 nonconforming and warehouse lending loan sales and the auto sale-leaseback transactions.

- Gain on sales of loans and leases increased \$18.3 million during the first quarter of 1999 as compared to the first quarter of 1998. The following table provides detail of the gain on sales recognized during the first quarters of 1999 and 1998 (in thousands):

	Three Months Ended March 31,	
	1999	1998
Gain/(Loss) Based on Cash Received:		
Equipment Lease Securitization	\$6,914	\$-
Equipment Lease Residuals	2,642	230
Auto Lease Sales and Terminations	1,925	623
Conforming Residential Loan Sales		
Servicing Released	873	634
Nonconforming Whole Loan Sales	141	169
Credit Card Whole Loan Sales	-	3,238
Other Loan Sales	20	781
Gain/(Loss) Based on Retained Interest in Securitized Asset Received:		
Nonconforming Loan Securitizations	19,324	7,851
	<u>\$31,839</u>	<u>\$13,526</u>

During the first quarter of 1999, \$116 million of equipment leases, originated or acquired by the Information Leasing Corporation unit, were securitized and sold. This sale generated a cash gain of \$6.9 million. During the first quarter of 1998, \$38 million of credit cards receivables were sold servicing released resulting in a cash gain of \$3.2 million.

Nonconforming residential loans, originated or acquired by the Provident Consumer Financial Services business line, have been securitized and sold on a quarterly basis since 1996. Major characteristics of these nonconforming loans include: 85% with "B" credit grade or better; 65% with full documentation and 10% to 15% with reduced documentation; 65% have prepayment penalties; 95% are secured by first mortgages; 90% are owner occupied; and, on average, have a 75% loan-to-value ratio. Total loans securitized and sold were \$515 million and \$200 million in the first quarter of 1999 and 1998, respectively. Under these types of sales, gains or losses are determined based on a present value calculation of future cash flows, using the cash-out methodology, of the underlying loans, net of interest payments to security holders, loan loss and prepayment assumptions and normal servicing revenue. Interest income is recognized throughout the life of the securitization at the rate that the future cash flows have been discounted.

06-30-99
PFGI 10-Q Excerpt

PROVIDENT FINANCIAL GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In Thousands, Except Per Share Amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Interest Income:				
Interest and Fees on Loans and Leases	\$135,716	\$127,346	\$267,298	\$250,488
Interest on Investment Securities	25,669	27,009	50,257	50,166
Other Interest Income	1,508	944	2,813	1,831
Total Interest Income	162,893	155,299	320,368	302,485
Interest Expense:				
Interest on Deposits:				
Savings and Demand Deposits	13,099	12,429	26,344	23,227
Time Deposits	42,865	42,811	84,788	86,699
Total Interest on Deposits	55,964	55,240	111,132	109,926
Interest on Short-Term Debt	15,220	18,306	30,126	31,192
Interest on Long-Term Debt	10,822	10,761	23,293	21,533
Interest on Junior Subordinated Debentures	2,226	2,165	4,392	4,331
Total Interest Expense	84,232	86,472	168,943	166,982
Net Interest Income	78,661	68,827	151,425	135,503
Provision for Loan and Lease Losses	8,050	5,000	20,950	10,000
Net Interest Income After Provision for Loan and Lease Losses	70,611	63,827	130,475	125,503
Noninterest Income:				
Service Charges on Deposit Accounts	7,867	6,789	15,131	13,201
Other Service Charges and Fees	17,867	13,843	31,314	28,801
Operating Lease Income	10,334	9,405	19,232	18,459
Gain on Sales of Loans and Leases	20,263	21,023	52,102	34,549
Security Gains	113	2,024	106	5,716
Other	2,473	3,747	5,599	5,810
Total Noninterest Income	58,917	56,831	123,484	106,536
Noninterest Expense:				
Salaries, Wages and Benefits	34,417	31,569	69,397	60,906
Depreciation on Operating Lease Equipment	5,578	5,242	10,303	10,524
Occupancy	4,348	4,104	8,556	7,911
Equipment Expense	5,853	4,783	11,155	9,014
Professional Fees	4,985	4,341	8,620	8,314
Charges and Fees	3,437	3,607	7,169	6,001
Other	16,044	17,258	31,759	32,865
Total Noninterest Expense	74,662	70,904	146,959	135,535
Income Before Income Taxes	54,866	49,754	107,000	96,504
Applicable Income Taxes	19,340	17,364	37,719	33,454
Net Income	\$35,526	\$32,390	\$69,281	\$63,050
Per Common Share:				
Basic Earnings Per Share	\$.83	\$.75	\$1.62	\$1.46
Diluted Earnings Per Share	.80	.72	1.56	1.40
Cash Dividends Declared	.22	.20	.44	.40

See notes to consolidated financial statements.

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PROVIDENT FINANCIAL GROUP, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

Noninterest Income

The following table details the components of noninterest income and their change for the second quarter and first six-month periods of 1999 and 1998 (dollars in thousands):

	Three Months Ended June 30,			Six Months Ended June 30,		
	1999	1998	Pctg Change	1999	1998	Pctg Change
Service Charges on Deposit Accounts	\$7,867	\$6,789	15.9%	\$15,131	\$13,201	14.6%
Other Service Charges and Fees	17,867	13,843	29.1	31,314	28,801	8.7
Operating Lease Income	10,334	9,405	9.9	19,232	18,459	4.2
Gain on Sales of Loans and Leases	20,263	21,023	(3.6)	52,102	34,549	50.8
Security Gains	113	2,024	(94.4)	106	5,716	(98.1)
Other	2,473	3,747	(34.0)	5,599	5,810	(3.6)
Total Noninterest Income	\$58,917	\$56,831	3.7	\$123,484	\$106,536	15.9

Noninterest income for the three-month and six-month periods ended June 30, 1999 increased by \$2.1 million and \$16.9 million, respectively, over the comparable periods in 1998. Explanations for significant changes in noninterest income by category follow:

- Service charges on deposit accounts increased \$1.1 million and \$1.9 million in the quarterly and six-month comparisons. The increases for both periods were a result of pricing and volume increases on corporate and personal demand deposit accounts. Also ATM surcharges have risen due to the placement of ATMs in Wal-mart and Sam's Club stores.
- Other service charges and fees increased \$4.0 million and \$2.5 million in the quarterly and six-month comparisons. The higher revenue was primarily due to increases in loan servicing fees, from the nonconforming, warehouse lending and auto sale-leaseback securitization transactions, credit card fees and trust fees. Offsetting these higher fees were reduced stock and warrant gains, which had been received as part of certain loan fee structures.

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PROVIDENT FINANCIAL GROUP, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

- Gain on sales of loans and leases decreased \$.8 million during the second quarter of 1999 as compared to the second quarter of 1998, but increased \$17.6 million during the first half of 1999 as compared to the first half of 1998. The following table provides detail of the gain on sales recognized during the second quarter and first six month periods of 1999 and 1998 (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	1999	1998	1999	1998
Cash Gains -- Lease Terminations:				
Equipment Lease Residual Sales	\$1,019	\$4,979	\$3,661	\$5,209
Auto Lease Sales and Terminations	700	2,765	2,625	3,388
	1,719	7,744	6,286	8,597
Cash Gains -- Loan and Lease Sales:				
Equipment Lease Securitization	-	-	6,914	-
Conforming Residential Whole Loan Sales	576	1,474	1,449	2,108
Nonconforming Residential Whole Loan Sales	-	75	141	244
Credit Card Whole Loan Sales	-	247	-	3,485
Other Loan Sales	301	744	321	1,525
	877	2,540	8,825	7,362
Non-cash Gains -- Loan and Lease Sales:				
Nonconforming Residential Loan Securitizations	14,372	10,739	33,696	18,590
Credit Card Loan Securitizations	3,295	-	3,295	-
	17,667	10,739	36,991	18,590
	\$20,263	\$21,023	\$52,102	\$34,549

Significant loan and lease sales occurring in 1999 and 1998 follow:

- During the first six months of 1999, \$1.0 billion of nonconforming residential loans were securitized and sold resulting in non-cash gains of \$33.7 million, a gain to loans sold ratio of 3.27%. During the first six months of 1998, \$435 million of nonconforming residential loans were sold producing non-cash gains of \$18.6 million, a gain to loans sold ratio of 4.27%. The lower gain to loans sold ratio for 1999 was due primarily to more conservative assumptions and higher funding costs.
- Credit card receivables of \$185.0 million were securitized and sold in the second quarter of 1999, generating a non-cash gain of \$3.3 million.
- Equipment leases totaling \$115.0 million were sold during the first quarter of 1999, resulting in a cash gain of \$6.9 million.
- A cash gain of \$3.2 million was recognized on \$38.3 million of credit card whole loan sales during the first quarter of 1998.

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PROVIDENT FINANCIAL GROUP, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND
RESULTS OF OPERATIONS

Nonconforming residential loans, originated or acquired by the Provident Consumer Financial Services business line, have been securitized and sold on a quarterly basis since 1996. Major characteristics of these nonconforming loans include: 60% with "A" credit grade and 25% with "B" credit grade; 65% with full documentation and 10% with reduced documentation; 65% have prepayment penalties; 95% are secured by first mortgages; 90% are owner occupied; and, on average, have a 78% loan-to-value ratio.

Loan sales through securitizations permit Provident to enhance operating profits, provide for immediate cash flows to fund additional loan originations, and provide for future cash flows generated by the interest payment differentials between interest paid by the borrowers and remitted to the investors. Total loans securitized and sold were \$515 million and \$235 million in the second quarter of 1999 and 1998, respectively. The methodology used by Provident to calculate gains on sale of these securities follow:

- 1) An amortization schedule is created for the loan portfolio based on each loan's maturity, rate and balance.
- 2) The amortization schedule is adjusted using a prepayment speed curve. The prepayment curve estimates the actual timing of principal payments by mortgage borrowers.
- 3) The net spread is calculated on the loan portfolio by taking the cash inflows (loan portfolio yield and prepayment penalties) and reducing it by the cash outflows (bond yield paid to investors, servicing fees and other fees). Prepayments reduce the average life of the portfolio, which in turn reduces the net spread collected by Provident.
- 4) The present value of the net spread is calculated by applying a discount rate indicative of the risk associated with the transaction.
 - In traditional credit enhancement structures, the net spread is used to create excess collateral as credit support. In these transactions, cash flow to Provident is delayed until the target over-collateralization is met and cash is released. This delay in cash receipts reduces the present value.
 - Beginning with the March 1998 securitization, Provident has provided credit enhancement in the form of a cash reserve account. Therefore Provident does not experience delays in cash receipts. The spread is not subordinated to the losses. Losses are paid directly from the cash reserve account instead of reducing the net spread. In addition the cash reserve account is placed in a noninterest bearing checking account at Provident, whereby no cash outlay is experienced in the funding of the account.
- 5) The gain is calculated by taking the present value of the net spread and reducing it by the present value of the expected credit losses, underwriting expenses, accounting and legal fees and deferred expenses paid to originate the loans.

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